



Tennessee Incentives

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State incentives include:

- Employee training grants
- Public infrastructure grants
- Tax credits and sales and use tax exemptions

Incentives are based on:


- Number of new jobs created
- Amount of capital invested
- Type of business




Eligible Industries

Headquarters	Administrative, research and development, planning, marketing, personnel, legal not manufacturing, distribution, wholesaling or call centers
Manufacturing	Principle business is fabricating or processing of tangible property for resale
Data Centers	Building or buildings, either newly constructed or remodeled, housing high-tech computer systems and related equipment
Warehousing and Distribution	Storage or distribution of finished tangible personal property. Does not include a location where tangible personal property is processed, manufactured, sold to customers or assembled
Call Centers	Uses telecommunications in customer service, soliciting sales, reactivating accounts, surveys or research, fundraising, collecting receivables, reservations, taking or receiving orders


FastTrack Infrastructure Program



Grants made to local communities for **public** infrastructure improvements.




Must be for **specific** infrastructure projects benefitting one or more companies committed to creating new jobs and/or making new capital investments.



Cover infrastructure such as rail, road, port, airport, site, water, sewer, gas and telecommunication **improvements**.



Require **matching** funds based on a community's ability to pay.



Application process: company completes the Tennessee Application for Incentives, local community completes the FastTrack Infrastructure Grant Application.

FastTrack Job Training Assistance Program

Reimbursement grant assisting companies with training expenses and the development of customized training plans

Two reimbursement methods:

- **Traditional** – reimbursement for classroom instruction, certain travel expenses, system support applications, instructor for on-the-job training, and specific vendor training
- **Job Based Training** – offers the company reimbursement of training funds determined from project-specific payroll records



Eligibility and funding levels determined by:

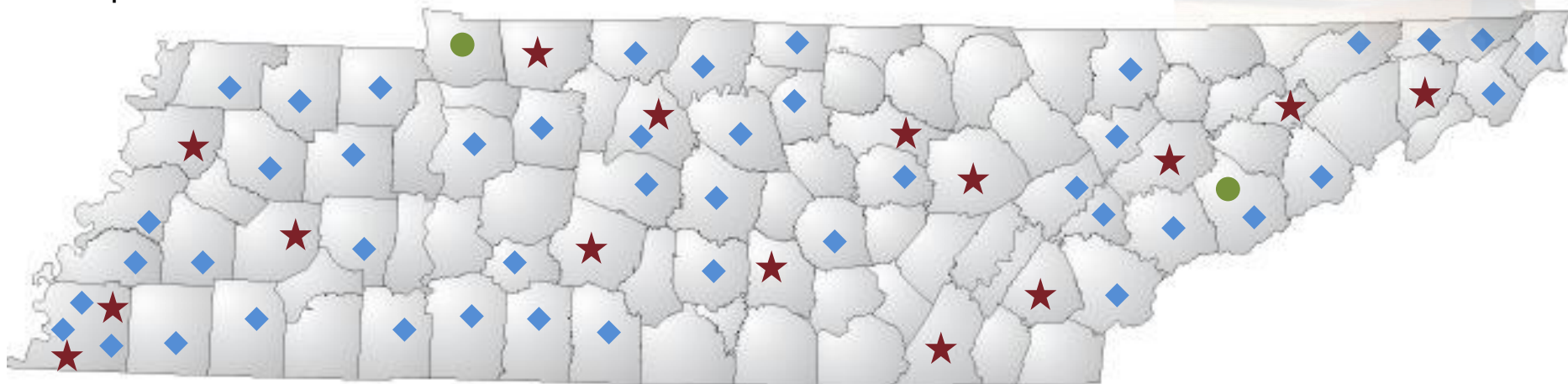
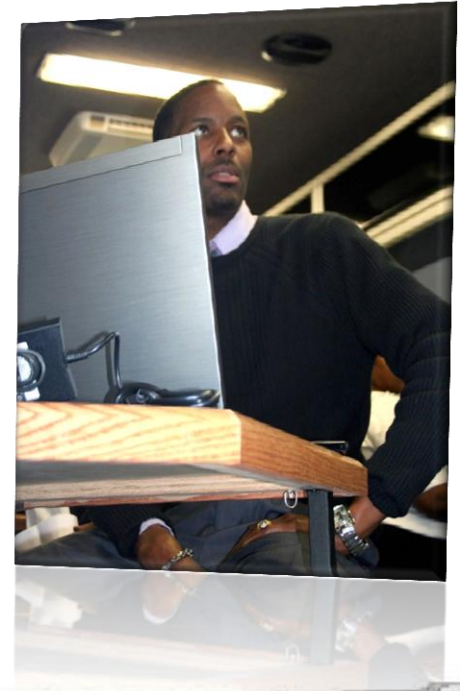
- Amount of company investment
- Number of new hires/upgrades
- Wages of new hires/upgrades
- Types of skills and knowledge that must be obtained
- Location of the project



Free Applicant Recruitment and Screening

The Department of Labor and Workforce Development (TDLWD) assists companies in the recruitment and screening of job applicants based on the company's specific job requirements, such as education, background and experience.

- All screening and recruitment services are provided free of charge
- More than 70,000 potential employees in TDLWD database
- TDLWD can conduct initial screening and interviews for companies
- 62 Career Centers, affiliated sites and TDLWD offices located throughout the state
- Companies must complete TDLWD's Work Order Form with a list of job requirements



★ Comprehensive Career Centers (15)

◆ Affiliated Sites (45)

● TDLWD Local Offices (2)

Tennessee Business Taxes

1

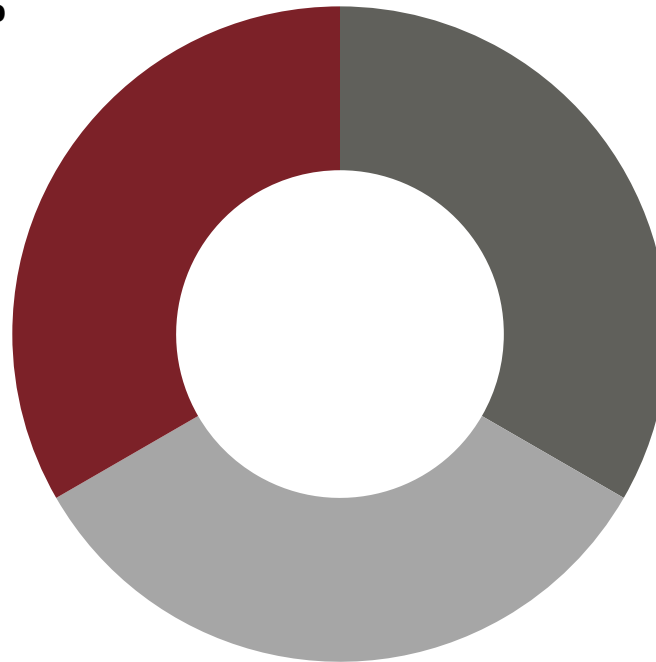
Franchise Tax 0.25%

Greater of the company's net worth or book value of its real or tangible property owned or used in Tennessee.

2

Excise Tax 6.5%

An apportionment formula based on the proportion of the company's payroll, sales and property in Tennessee, with the sales proportion double-weighted.



3

Sales and Use Tax

7% at the state level plus 1.5% to 2.75% at the local level

Applied to tangible personal property purchased or used within the state.

Standard Job Tax Credit

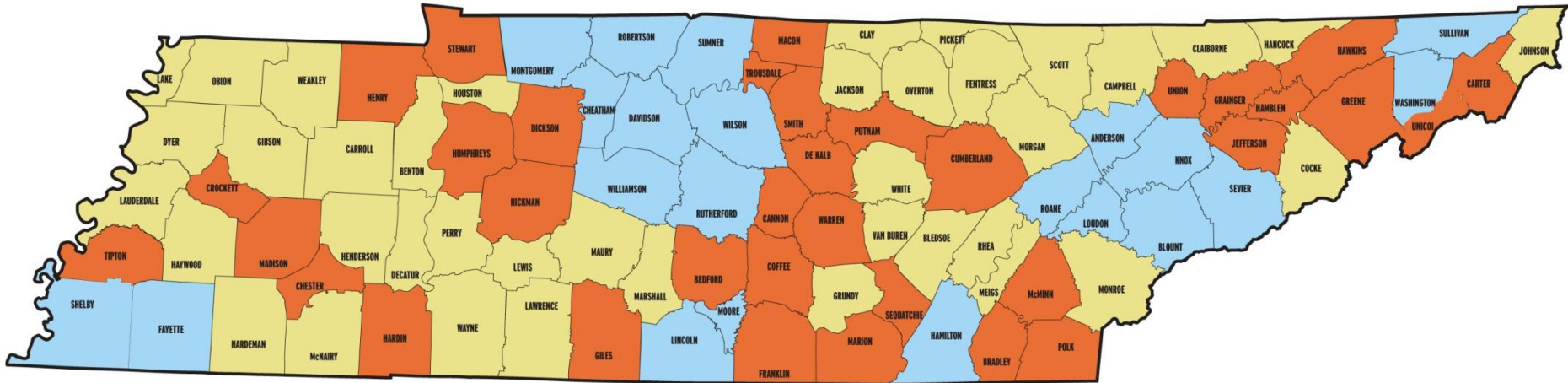
Job creation tax credit that can be used to offset a company's franchise and excise tax liability

- Tax credit of **\$4,500** per job for companies creating at least **25** net new full-time jobs within a three-year period and investing at least **\$500,000** in a qualified business enterprise
- Can be used to offset up to **50%** of F&E taxes in any given year and carried forward for up to 15 years
- **Qualified business** include: manufacturing, warehousing, distribution, R&D, goods processing, computer services, call centers, data centers, headquarter facilities, aircraft repair, high-tech industries or convention and trade show facilities

Jobs Created	Amount of Credit
25	\$112,500
100	\$450,000
500	\$2,250,000
1,000	\$4,500,000

Enhanced Job Tax Credit

Tennessee counties designated as **Tier 2** and **Tier 3 Enhancement Counties** are entitled to the Standard Job Tax Credit and an additional annual **Enhanced Job Tax Credit**.



- Tier 1:** \$4,500 job tax credit with 15 year carry forward.
 - Tier 2:** \$4,500 job tax credit with 15 year carry forward plus additional 3 years at \$4,500 per year with no carry forward.
 - Tier 3:** \$4,500 job tax credit with 15 year carry forward plus additional 5 years at \$4,500 per year with no carry forward.

NOTE: Job Tax Credit may be applied against a company's franchise and/or excise tax liability. To qualify for the Job Tax Credit a company must create 25 net new full-time jobs and increase capital investment by \$500,000 in a qualified business enterprise within a 36 month period.

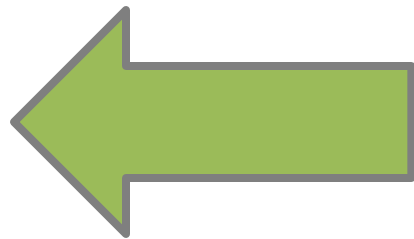
Super Job Tax Credit



Companies making a capital investment of **\$100 million** or more and creating a minimum of **100 new jobs** paying at least **100%** of Tennessee's **average occupational wage**

OR

Companies establishing or expanding a regional, national or international **headquarters** with a capital investment of **\$10 million** or more and creating **100 HQ jobs** paying at least **150%** of Tennessee's **average occupational wage**



Capital Investment	# of New Occupational Wage Jobs	Years for Annual Credit
\$10,000,000+ in qualified HQ	100 at 150%	3
\$100,000,000+	100	3
\$250,000,000+	250	6
\$500,000,000+	500	12
\$1 billion+	500	20

- **\$5,000 per new full-time job**
- No carry forward
- Offsets up to 100% of the Franchise and Excise Tax liability for a period of 3 up to 20 years
- Companies that qualify can exclude up to two-thirds of the required capital investment for purposes of determining the book value for F&E taxes
- Investment period is 3 years but can be expanded to 5 with Commissioner approvals
- 2011 Average Occupational Wage: 100% = \$37,360; 150% = \$56,040

Industrial Machinery Tax Credit: Manufacturers

Credit of 1% to 10% for the purchase, third-party installation and repair of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102.

- **For manufacturers, qualified industrial machinery includes:**
 - Machinery,
 - Apparatus and equipment with all associated parts,
 - Appurtenances and accessories, including hydraulic fluids, lubricating oils, and greases necessary for operation and maintenance,
 - Repair parts and any necessary repair or taxable installation labor that is necessary to, and primarily for, the fabrication or processing of tangible personal property for resale and consumption off the premises.
- **In addition, industrial machinery includes:**
 - Computer,
 - Computer network,
 - Computer software or computer systems and any peripheral devices including, but not limited to, hardware, such as printers, plotters, external disc drives, modems and telephone units purchased by the taxpayer in making the required capital investment for the Standard Job Tax Credit. Tenn. Code Ann. § 67-4-2109

Industrial Machinery Tax Credit: Warehouse and Distribution

Credit of 1% to 10% for the purchase, transfer, third-party installation and repair of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102(46)(H)(i)

- Qualified industrial machinery includes **material handling equipment** and **racking systems** purchased for a qualified warehouse and distribution facility if the taxpayer makes a **minimum \$10,000,000 capital investment in the facility and/or equipment within thirty-six (36) months** of the effective date of the Business Plan.
- In addition, **industrial machinery includes:**
 - Computer,
 - Computer network,
 - Computer software or computer systems and any peripheral devices including, but not limited to, hardware, such as printers, plotters, external disc drives, modems and telephone units purchased by the taxpayer in making the required capital investment for the Standard Job Tax Credit.Tenn. Code Ann. § 67-4-2109

Industrial Machinery Tax Credit: Headquarters

Credit of 1% to 10% for the purchase, third-party installation and repair of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102.



Industrial machinery includes:

- Computer,
- Computer network,
- Computer software or computer systems and any peripheral devices including, but not limited to, hardware, such as printers, plotters, external disc drives, modems and telephone units purchased by the taxpayer in making the required capital investment for the Standard Job Tax Credit. Tenn. Code Ann. § 67-4-2009

Industrial Machinery Tax Credit: Data Centers

Credit of 1% to 10% for the purchase, third-party installation and repair of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102.



Industrial machinery includes:

- Computer,
- Computer network,
- Computer software or computer systems and any peripheral devices including, but not limited to, hardware, such as printers, plotters, external disc drives, modems and telephone units purchased by the taxpayer in making the required capital investment for the Standard Job Tax Credit. Tenn. Code Ann. § 67-4-2009

Industrial Machinery Tax Credit: Call Centers

Credit of 1% to 10% for the purchase, third-party installation and repair of qualified industrial machinery as defined in Tenn. Code Ann. § 67-6-102.



Industrial machinery includes:

- Computer,
- Computer network,
- Computer software or computer systems and any peripheral devices including, but not limited to, hardware, such as printers, plotters, external disc drives, modems and telephone units purchased by the taxpayer in making the required capital investment for the Standard Job Tax Credit. Tenn. Code Ann. § 67-4-2009

Sales and Use Tax Exemptions: Manufacturing

State sales tax exemption for industrial machinery and reduced state sales tax rate for utilities at qualified manufacturing facilities

A **qualified manufacturer** is the designer, fabricator, producer, compounder, processor or assembler of any product or its component parts

Exemptions

- **Industrial machinery** defined as machinery and equipment, including all associated parts and repair-related labor, primarily used in the fabrication or processing of tangible personal property for resale or consumption off a company's premises
- **Water** sold to or used exclusively in the manufacturing process as determined by the Commissioner of Revenue
- **Gas, electricity and various energy sources** used exclusively in the manufacturing process as determined by the Commissioner of Revenue

Reductions

- Tax applied at a **rate of 1%** on water unless it comes into direct contact with the product being manufactured or becomes a part of the product being manufactured and separately metered. If separately metered and it comes into direct contact with the product being manufactured or becomes a part of the product being manufactured the rate is Zero. The process is set up through the local utility.
- Tax applied at a **rate of 1.5%** on gas, electricity, and various energy sources unless it comes into direct contact with the product being manufactured and is separately metered. If separately metered and it comes into direct contact with the product being manufactured the rate is zero. The process is set up through the local utility.

Sales and Use Tax Exemptions: Headquarters

Reduced state sales tax rate for qualified personal property purchased for a qualified headquarters facility

- A **qualified headquarters facility** is an international, national or regional headquarters where headquarters staff are located and employed, performing headquarters related functions and services, including, but not limited to, administrative, marketing and legal work.
- The investment period for the sales and use tax credit **begins** one year prior to construction or expansion and **ends** one year after construction or expansion has concluded, but can be **extended** to six years with permission from the Commissioner of Economic and Community Development and the Commissioner of Revenue.
- **Exemptions**
 - **Industrial machinery** is defined as machinery and equipment, including all associated parts and repair-related labor, primarily used in the fabrication or processing of tangible personal property for resale or consumption off a company's premises.
- **Reductions**
 - Taxes applied at a rate of 7% but HQ receive a **non-expiring sales tax credit** for 6.5% of the 7% paid for qualified personal property purchased for the HQ "that is directly related to the creation of the new full-time employee jobs."
 - **Qualified personal property** is defined as building materials, building machinery, equipment, furniture and fixtures used exclusively in the qualified headquarters facility and purchased or leased during the investment period.

Sales and Use Tax Exemptions: Warehouse and Distribution

State sales tax exemption for certain equipment purchased for a qualified warehouse or distribution center

- A **qualified warehouse or distribution facility** is a warehouse or distribution facility that is renovated or expanded through an investment of \$10M or more, including the purchase of new equipment for such a building.
- The investment must be made during a 3 year period, but can be extended to 5 years for investments under \$1B or 7 years for investments exceeding \$1B at the discretion of the Commissioner of Economic and Community Development.
- **Exemptions:** Material and equipment purchased for use in the storage, handling, or movement of tangible personal property (such as racking systems and conveyors) in a qualified warehouse or distribution facility.

Tenn. Code Ann. § 67-6-206



Sales and Use Tax Exemptions: Call Centers

Tax exemption on any sales of interstate telecommunication and international telecommunication services to a business for use in the operation of one or more qualified call centers.

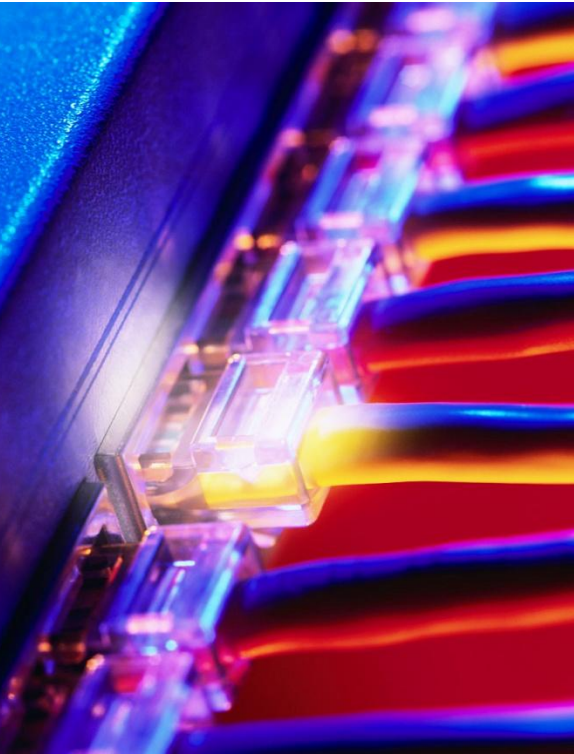


In order to qualify for the Sales and Use Tax savings for telecommunication services used by the call center a company must have at least 250 employee jobs engaged primarily in such call center activities.

Tenn. Code Ann. § 67-6-206

Sales and Use Tax Exemptions: Data Center

State sales tax exemption for certain hardware and software purchased for a qualified data center



- A **qualified data center** is a building(s) housing high-technology computer systems and related equipment in which the taxpayer has made a minimum capital investment of \$250M and has created 25 new jobs paying at least 150% of the state's average occupational wage (e.g. \$37,360/year for the 2011 period).
- The investment must be made during a 3 year period, but can be extended to 5 years for investments under \$1B or 7 years for investments exceeding \$1B at the discretion of the Commissioner of Economic and Community Development.
- **Exemptions:** computers, computer systems, and computer software used in qualified data centers
- **Reductions:** taxes applied at a rate of 1.5% on electricity

Tenn. Code Ann. § 67-6-206



State Industrial Access Program

The Tennessee Department of Transportation (TDOT) State Industrial Access Program funds the construction of roadways to support industrial areas based on four criteria:

- 1) **Project Type:** must be for an industrial area (e.g., no retail or office projects)
 - 2) **Economic Benefit:** factors include number of jobs created and the resulting local property taxes
 - 3) **Physical Constraints:** can only be used to fund access roads on public land; the local community must bear costs of right of way, utility adjustment and railroad crossing protection
 - 4) **Available Funding:** The Legislature has funded the program at \$10M annually in recent years
- The typical industrial highway project is two 12 foot lanes with 4 foot stone shoulders
 - TDOT and/or the local government are responsible for conducting all technical studies and obtaining necessary federal, state, and local permits
 - Local government assumes full responsibility for the maintenance of the industrial highway after construction is completed



Tennessee Valley Authority Incentives

TVA offers a number of valuable incentives and services.

Some examples include:

- **TVA Valley Investment Initiative:** TVA can provide electricity bill credits to qualified power customers who make significant commitments to invest in the Tennessee Valley
- **TVA Economic Development Loan Funds:** TVA can provide loans with below-market interest rates to financially sound companies which are relocating or expanding their operations in the Tennessee Valley
- **TVA Special Opportunities Counties Fund:** TVA has a revolving loan fund which can be deployed in the Valley's most economically distressed counties for buildings, equipment, real estate, industrial parks and building development



Local Incentives

Local incentives are negotiated by local communities at their discretion and on a case by case basis. Examples include:

- **Payment in Lieu of Taxes (PILOT) Program:** Industrial Development Boards (IDBs) can buy a facility and lease it back to a company at a reduced rate
- **Tax Increment Financing (TIF):** Communities can establish TIFs, which provide non-recourse loans to a developer that is secured by incremental local tax revenues.
- **Local Tax Credits:** Communities can provide companies with local tax credits, such as reduced property taxes.
- **Grants:** Communities can provide companies with grants for various expenditures; these grants are most often awarded as matching funds for state FastTrack Infrastructure and Training grants.
- **Land:** Communities can provide companies with free or below market-rate land, which is often located in a community's industrial or technology park.



TENNESSEE
Ready to Work